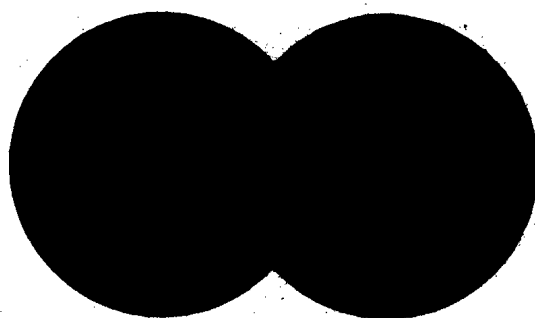


~~SECRET~~

Copy No. 66

WEEKLY SUMMARY



Number 16

3 SEP 1948

Document No. 001
NO CHANGE in Class. ☐
☒ DECLASSIFIED
Class. CHANGED TO: TS S C
DDA Memo, 4 Apr 77
Auth: BDA REG. 77/1763
Date: 01/02/98 By: 021

F-16

CENTRAL INTELLIGENCE AGENCY

~~SECRET~~

1. This publication contains current intelligence exclusively and therefore has not been coordinated with the intelligence organizations of the departments of State, Army, Navy, and Air Force.
2. This copy may be either retained, or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency.

WARNING

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U.S.C., 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

~~SECRET~~

C O N T E N T S

	Page
HIGHLIGHTS	1
WESTERN EUROPE	2
EASTERN EUROPE	5
NEAR EAST - AFRICA	8
FAR EAST	10
WESTERN HEMISPHERE.....	12

~~SECRET~~

SECRET

H I G H L I G H T S

The general lull in the world's affairs that has prevailed during the prolonged talks concerning Berlin was broken during the past week only by the political crisis in France and the sudden death of Politburo member Zhdanov.

The narrow margin of 11 votes by which Schuman's appointment as premier-designate was confirmed by the French Assembly foreshadowed his inability to form a government (see page 2). Schuman's futile efforts, added to the recent failure of two "right-of-center" governments to maintain themselves, have greatly helped DeGaulle's cause in France.

The death of Zhdanov, although it removes a key figure from the Soviet hierarchy, will probably have only a slight effect upon over-all Soviet policy (see page 5). A possibility exists that the removal of the man who directed the Cominform denunciation of Tito may facilitate a future rapprochement, but present indications are that the differences between Tito and the Cominform are so fundamental as to require virtual capitulation from one of the parties.

In Palestine, internal pressures in Israel and the Arab states are building up against an indefinite continuation of the UN truce (see page 8). As a consequence, full-scale war may once again break out unless definite progress is made soon toward a permanent settlement.

A solution to the Indonesian problem appears more remote as a consequence of the less conciliatory policy of the Dutch Government at a time when the reorganized UN Good Offices Committee is trying to find a new formula for continued negotiations (see page 10). If no workable plan is offered soon, the Republican Government will probably make a determined appeal to the UN Security Council.

SECRET

WESTERN EUROPE

FRANCE

Robert Schuman's inability to form a French government was foreshadowed by the narrow margin -- 11 votes -- given him by the French Assembly in confirming his appointment as premier-designate. Although a new coalition government for France is likely, the cause of DeGaulle has been measurably advanced by the failure of the two "right-of-center" coalitions to maintain a government and by Schuman's futile efforts to form one.

The specific cause of the fall of the Marie government was the refusal of the Socialists to stay in the government unless a cost-of-living bonus of 15%, instead of the proposed 10%, were granted the workers. The same economic and political problems that led to the fall of the first Schuman government and the Marie government will continue to plague any French government. Inflationary pressures continue to push up prices and create demands for higher wages. The factions in the French multiple-party system appear to be unable or unwilling to tell their membership to sacrifice immediate, selfish interests by holding the line until production can approximate demand in the economy. Until this basic concept is accepted by the French people, whether under Schuman, a successor, or DeGaulle, no French government can achieve stability.

AUSTRIA

Further Soviet preparations to apply pressure in Austria may be indicated by a gradual rerouting of telecommunication channels by Soviet authorities and the increased frequency of Soviet "disapprovals" for scheduled Pan-American flights in the Vienna-Prague corridor. Rerouting of communications now permits the

SECRET**AUSTRIA**

USSR either to sever all east-west lines and international traffic involving Austria without notice or to monitor all such calls. To date, the US has been able to circumvent the Soviet restraints on commercial air activity by flying the corridor under the "urgent mission" clause of the air agreement. Although a broad interpretation of the four-power control agreement would show both Soviet actions to be violations, the US apparently is in no position to take any retaliatory action and the attitude of Soviet officials indicates there is little chance of obtaining satisfaction through protests to the Allied Council.

SPAIN

Hoping to forestall pro-Franco action in the UN, Poland recently requested that "the Spanish question" be placed on the agenda for the September UN General Assembly meeting in Paris. This Polish move may impair the effectiveness of a prospective drive to rescind the resolutions against Franco, although the "neutral position" of the western-bloc nations that are reluctant to become associated with a Soviet-sponsored program may give Franco supporters wider opportunities. It is unlikely that Franco will make any important internal changes prior to the UN meeting. So far, he is only following his established propaganda line by announcing the discovery of a new Communist plot, by stating there are now no political prisoners in Spain, and by inducing several once-prominent exiles to return to the homeland. He has, however, made an important psychological gain, at least, by obtaining through a personal conference with Don Juan, pretender to the Spanish throne, an agreement that Juan's 10-year old son, the Prince of Asturias, should be educated in Spain.

SECRET**UNITED KINGDOM**

The spectre of renewed Japanese shipbuilding competition for the UK is already causing considerable concern in British shipbuilding and maritime trade circles. Japanese shipyards are preparing to begin construction on merchant ships for foreign account in order to stimulate the once-flourishing Japanese shipyards and contribute to Japan's economic rehabilitation. The UK feels, on strategic, as well as economic grounds, that Japanese shipbuilding should be restricted to that necessary to fulfill domestic needs. Chinese objection to any long-range resurgence of the Japanese shipbuilding industry would certainly be forthcoming also because of strategic and economic considerations. This opposition to renewed Japanese shipbuilding activity is not shared by other western European nations struggling to regain their prewar maritime positions. France, Norway, Denmark, and Sweden, as well as US operators, are negotiating for construction in Japanese shipyards because they evidently feel that the immediate economic advantages of obtaining ships outweigh the theoretical danger of the long-range rebuilding of the Japanese economy.

SECRET

SECRET

E A S T E R N E U R O P E

SOVIET UNION

Although the sudden death of Zhdanov, for whatever cause, removes a key figure from the Soviet directorate of world Communism and at least one obstacle to some form of temporary rapprochement with Tito, it will probably have only a limited effect upon over-all Soviet policy. Zhdanov directed the Cominform denunciation of Tito, and it is possible that the other members of the Politburo may feel that his death gives them an opportunity to correct an ineptly handled situation without loss of face. Although a temporary agreement with Tito is possible, the dispute appears to be based upon fundamental differences which would require a full capitulation on the part of either Tito or the Kremlin.

The loss of Zhdanov creates a serious organizational problem for the Kremlin. He was the only Politburo member with extensive experience in dealing with foreign Communist parties, and he has headed the postwar ideological purification of Soviet arts and sciences. In addition, he had exercised increasing authority in the party organization since the end of World War II. Malenkov appears to be the most likely prospect as Zhdanov's successor both in the party and in the Cominform. The re-emergence of Malenkov as a secretary of the Central Committee in mid-July may have been because of Zhdanov's deteriorating health. Malenkov lacks Zhdanov's experience and prestige among foreign Communist parties, however, and he cannot be expected to fill the breach caused by Zhdanov's death for some time to come.

Although Zhdanov undoubtedly exerted considerable influence on Soviet policy, his death will not bring about any major changes in the policies formulated by the Politburo. In any event, Molotov's position as probable successor to Stalin has been substantially strengthened by the elimination of a capable and ambitious rival.

SECRET**SOVIET UNION**

Soviet press attacks charging the US with using the European recovery program to stockpile strategic raw materials and "pillage Europe and her colonial resources" was the only significant shift in Soviet propaganda during the past week. The continued shipment of strategic raw materials (manganese and chrome ores) by the USSR to the US, however, indicates that the Kremlin is not yet ready to make a full break in commercial relations. Considerations contributing to this decision may be the Soviet need for dollar exchange, the realization that the US can, if necessary, obtain these strategic materials elsewhere, and a desire to forestall further economic sanctions. There is the long-range possibility, however, that the present propaganda campaign may be used to justify termination of shipments some-time in the future.

YUGOSLAVIA

Tito's charges against the Rumanian, Hungarian, and Bulgarian governments for conspiring to overthrow the Yugoslav regime mark the first time that the Tito-Cominform rift has been raised to the governmental level among the major Satellites. Such charges probably represent an effort by Tito, who realizes that the continued "official" silence of the Kremlin may offer him the possibility of returning to the fold, to force some decision from the Kremlin. Tito probably further realizes that he cannot continue indefinitely in his present economic isolation and that he would only further antagonize the Kremlin by any approach to the west. An additional consideration may be Tito's desire to show all Yugoslav Communists that he is making every effort toward rapprochement with the USSR, while building up his own popularity with the non-Communist Yugoslavs by playing upon their strong nationalist feeling. If these efforts to force a public stand from the Kremlin are unavailing, Tito will probably take even stronger action against his Satellite neighbors.

SECRET

GREECE: SITUATION MAP-30 AUGUST 1948

SECRET



11046 Map Branch, CIA, 9-42

NOTE: The selected guerrilla raids represent only a small proportion of the total incidents of recruiting, raids, communications sabotage, artillery attacks, etc. They are shown to indicate the widespread nature of guerrilla activity.

SECRET**GREECE**

The end of the Grammos operation has been marked by a rapid shift of both the northern guerrilla forces and the Greek Army to other portions of the Greek frontier. The army is now advancing into the border area immediately north of the original Grammos zone of operations; this area has already been reinforced by guerrillas who withdrew from the Grammos sector into Albania and then circled back into Greece. The Markos radio has attempted to explain such reappearances by tales of brilliant guerrilla successes in breaking out of the Greek Army encirclement. The guerrillas are also digging in at various points along the entire length of Greece's northern border, but it is not yet clear whether they will attempt to repeat the stubborn defensive tactics of the Grammos battle or instead return to the less costly, hit-and-run methods they had previously employed. Meanwhile, recruiting raids, sabotage, the shelling of government-held towns, and other harassing guerrilla action continue throughout Greece.

CZECHOSLOVAKIA

Soviet efforts to supplement their fuel production with a satisfactory synthetic fuel industry and to fully exploit satellite fuel potential is revealed by the pressure currently being exerted in Czechoslovakia to increase the production of synthetic fuels. Considerable newspaper space is being devoted to demands for increased production at lower costs by the German-built plant at Bruex. This plant also produces catechol, a stabilizer for rocket fuels, the entire production of which is probably destined for the USSR. Coupled with the recent cut in Czechoslovak gasoline ration, this pressure to increase fuel production provides further evidence that a stockpiling project is in operation. Also, increased synthetic gasoline production may be needed for conversion processes to 100 octane fuel to meet Soviet requirements. In either case, the action represents a further integration between the fuel production programs of the USSR and those of the Satellite countries.

SECRET

SECRET**NEAR EAST - AFRICA****PALESTINE**

Indefinite continuation of the Palestine truce is endangered by internal pressures in Israel and the Arab states. In the Arab countries, the refugee situation is producing an economic and political strain so severe that the Arab peoples, not yet realizing the hopelessness of further military action, may demand that their governments solve the problem by force. For the Jews, the maintenance of their army on a wartime basis is already absorbing the greater part of the government's income, thereby forestalling steps essential to place the new country on a firm economic footing. Moreover, the provisional government realizes that a prolonged military stalemate may provoke independent action by extremist groups, which would lead to unrest in Israel and a weakening of the common Zionist front. For these reasons, full-scale war may break out once again unless progress is made in the near future toward a permanent settlement. Because the widely divergent views of Jews and Arabs make the prospect of a negotiated solution extremely unlikely, the only effective method of resolving the problem appears to be a settlement imposed and guaranteed by the UN. Although both sides would almost certainly register strong objections to the terms of such a settlement, it is probable that both the Provisional Government of Israel and the Arab governments would welcome the relaxation of the present economic and political pressures.

INDIA

Although India has finally signified its assent to the UN Kashmir Commission's cease-fire proposals of 14 August, the task of the commission remains formidable. Pakistan, which has remained silent about the commission's proposals, undoubtedly objects to some provisions of the truce plan; and

SECRET

SECRET

INDIA

India, which has conditioned its acceptance on clarification of certain of the proposals, can be expected to develop new objections during attempts to work out a compromise. The commission is nevertheless going ahead with plans for administering a truce in Kashmir. It has asked the UN Secretary General for 40 military observers to operate in the field and for a military adviser of general officer rank to assist the commission.

FRENCH NORTH AFRICA

French authorities are seriously concerned over the possibility of Communist sabotage against French naval installations in North Africa. This concern is considerably heightened by the possibility that US aircraft operating from carriers in the Mediterranean will soon be granted permission to use the base facilities at Bizerte, Oran, and Port-Lyautey. The French fear that the large group of Communists among the several thousand skilled mechanics and technicians employed at these bases constitute a threat to US and French security in the area.

SECRET

SECRET**F A R E A S T****INDONESIA**

Dutch policy toward Indonesia has become less conciliatory at a time when the reorganized UN Good Offices Committee (GOC) is seeking a new formula for continued negotiations. Increasingly at cross purposes with the Republic, the Netherlands Government is continuing its efforts to complete a draft act for an interim Indonesian government which would limit the influence of the Republic; meanwhile, the Republican Government has challenged the legitimacy of any interim government created outside of GOC. If the GOC does not offer a workable solution soon, the Republican Government is expected to make a determined appeal to the Security Council. Meanwhile, increased Dutch efforts to discredit Indonesian Republicans are designed to bring about the fall of the moderate Government and eventually to suppress extreme nationalist elements. Dutch identification of Republican Indonesians with a growing Communist threat in Indonesia and Dutch impatience with UN interference have resulted in wider public support at home for the retention of Dutch control. The US delegation on the GOC is confronted with a dilemma at this time because of its tacit approval of Dutch initiative outside the GOC. Unless this dilemma is resolved soon, a Republican appeal to the SC may provide a major test of US versus USSR influence in the Republican Government which shows increasing signs of becoming militantly leftist.

KOREA

Soviet claims of national status for the Democratic Peoples' Republic of Korea have been undermined by the denunciation of the recent North Korean elections by leading leftist and moderate groups in South Korea. Following the success of the Pyongyang unity conference in April, the high-handed political tactics of North Korean Communists have

SECRET

SECRET

KOREA

gradually alienated South Korean anti-separatists. Some 25 South Korean political parties, who boycotted the South Korean elections, have now compensated for their earlier defection by denouncing all recent activities in North Korea. At the meeting of the UN General Assembly in September, this denunciation will constitute a strong rebuttal of any claims by the USSR that the recently-formed puppet regime of North Korea has the undivided support of all South Korean political organizations except those participating in its present rightist government.

BURMA

The rebel-inspired insurrection in Burma continues, unabated and indecisive. Economic deterioration is increasing concurrently with the disruption of transportation and the serious curtailment of the timber and rice industries. If the Government fails to show substantial progress against the uncoordinated rebel bands, the increased likelihood of its overthrow may lead to: (1) an attempt by Prime Minister Thakin Nu to reach an agreement with the rebels, or (2) gradual disbandment of the present regime as a consequence of the desertion of government officials to the rebel cause. The resulting new coalition government (which would probably be decidedly more leftist than its predecessor) would undoubtedly prove incapable of restoring or maintaining stability in Burma.

SECRET

SECRET

W E S T E R N H E M I S P H E R E

Uruguayan fear of imminent Argentine aggression is exaggerated. Although Argentina will probably try to extend both its economic and political influence in Uruguay, the use of force would jeopardize Argentina's prestige and economic influence abroad. Any overt act against Uruguay would, moreover, strengthen that country's relations with Brazil, Argentina's chief rival.

- 12 -

SECRET

~~SECRET~~**DISTRIBUTION**

1. The President
2. Secretary of State
3. Chief of Staff to Commander in Chief
4. Secretary of Defense
5. Secretary of the Army
6. Secretary of the Navy
7. Secretary of the Air Force
8. Chairman, National Security Resources Board
9. Executive Secretary, National Security Council
10. Assistant Secretary of Navy for Air
11. Chief of Staff, U.S. Army
- 12,13,14. . . . Chief of Naval Operations
- 15,16,17. . . . Chief of Staff, U.S. Air Force
18. Director of Plans and Operations, General Staff, U.S. Army
19. Deputy Chief of Staff (Operations) U.S. Air Force
20. Deputy Chief of Naval Operations (Operations)
21. Director of Plans and Operations, U.S. Air Force
- 22,23,24. . . . Special Assistant to Secretary of State, Research & Intelligence
- 25,26,27,28,29. Director of Intelligence, General Staff, U.S. Army
- 30,31,32,33,34. Chief of Naval Intelligence
- 35,36,37,38,39. Director of Intelligence, U.S. Air Force
40. Director of Security and Intelligence, Atomic Energy Comm.
41. Executive Secretary, Military Liaison Committee, Atomic Energy Commission
- 42,43,44,45,46. Chief, Acquisition & Distribution Division, OICD, Dept. State
47. Director, Federal Bureau of Investigation
48. Secretary, Joint Chiefs of Staff
49. Chief, Policy Planning Staff, Dept. State
50. Secretary of State (Attention: Chief, Policy Reports Staff)
51. Deputy Director, Joint Intelligence Group, Joint Staff
- 52,53. Secretary, Joint Intelligence Group, Joint Staff
54. U.S. Air Force Representative on Joint Strategic Survey Committee
- 55,56. Secretary, State-Army-Navy-Air Coordinating Committee

~~SECRET~~

~~SECRET~~